Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 TEHRAN 06936 291437Z

53
ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01

CEA-02 L-03 H-03 PA-03 PRS-01 USIA-15 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

IO-15 SCEM-02 DRC-01 /201 W
---------- 102415
R 291303Z SEP 73
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 4007
INFO AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
USEC BRUSSELS
AMEMBASSY DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
OECD PARIS 1968
AMEMBASSY TOKYO

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DEPT PASS COMMERCE AND EX/IMBANK

E.O. 11652: N/A
TAGS: ENRG, KU, XF
SUBJECT: TRANSCO NGL AND METHANOL AGREEMENT SIGNED WITH NIOC

1. THKNSCO SENIOR EXECUTIVES G. MONTGOMERY MITCHELL
AND DON WILLHELM BRIEFED AMBASSADOR SEPTEMBER 29 ON
AGREEMENT SIGNED IN TEHRAN ON SEPTEMBER 27 BETWEEN
TRANSCO ENERGY COMPANY A SUBSIDIARY OF TRANSCO COMPANY
INCORPORATED AND THE NIGC.

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PAGE 02 TEHRAN 06936 291437Z

2. FOLLOWING ARE THE OPERATIVE PARAGRAPHS OF THEIR

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

PRESS RELEASE WHICH DESCRIBED THE PROJECT FULLY:

QUOTE: TEHRAN, SEPT 27--TRANSCO ENERGY COMPANY, A SUBSIDIARY F TRANSCO COMPANIES, INC., ANNOUNCED TODKO THAT IT HAS SIGNED A JOINT AGREEMENT WITH THE NATIONAL IRANIAN OIL COMPANY, TO BUILD A $650 MILLION SYSTEM IN IRAN TO COLLECT PRESENTLY FLARED NATURAL GAS AND PRODUCE NATURAL GAS PRODUCTS FOR TRANSPORT TO THE US TO PROVIDE MAJOR ADDITIONAL VOLUMES OF PIPELINE QUALITY GAS FOR THE UNITED STATES EAST COAST MARKET WITH INITIAL DELIVERIES STARTING IN EARLY 1976. THE NIGC AND TRANSCO ENERGY COMPANY WILL BE EQUAL PARTNERS IN IRAN FOR THE IMPLEMENTATION OF THE PROJECT. THE ESTIMATED VALUE OF THE AGREEMENT TO PURCHASE IRANIAN NATURAL GAS PRODUCTS WILL AMOUNT TO MORE THAT $2 BILLION OVER THE AGREEMENT'S 22-YEAR LIFE.

CONSTRUCTION WORK ON THE NEW IRANIAN FACILITY WILL BEGIN THIS YEAR WITH INITIAL START PROJECTED

FOR EARLY 1976, AND FULL PRODUCTION SCHEDULE FOR EARLY 1978

THE AGREEMENT PROVIDES THAT THE NATIONAL IRANIAN GAS COMPANY WILL MAKE AVAILABLE SUFFICIENT GAS FOR A DAILY PRODUCTION OF 15,000 TONS OF METHANOL FUEL AND 60,000 BARRELS OF RELATED HYDROCARBON BY-PRODUCTS. CONVERTED ENTIRELY TO PIPELINE GAS THESE QUANTITIES ARE EQUIVALENT TO MORE THAN 500 MILLION CUBIC FEET PER DAY.

THE 60,000 B/D OF HYDROCARBON BY-PRODUCTS WILL BE USED FOR CONVERSION INTO SYNTHETIC NATURAL GAS AT AN $85 MILLION PLANT AT TWIN OAKS IN UPPER CHICHESTER TOWNSHIP, DELAWARE COUNTY, PA. WHICH TRANSCO ENERGY HAS PREVIOUSLY ANNOUNCED.

THE METHANOL FUEL WILL BE MOVED IN CONVENTIONAL TANKERS TO THE US EAST COAST FOR CONVERSION INTO SNG
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AT AN UNDISCLOSED EAST COAST SITE.

THE GAS WILL BE SOLD TO TRANSCONTINENTAL GAS PIPE LINE, CORPORATION, ALSO A SUBSIDIARY OF TRANSCO COMPANIES, INC. THE PIPELINE SYSTEM EXTENDS FROM THE TEXAS AND LOUISIANA GULF COAST THROUGH THE SOUTH-EASTERN STATES TO THE PENNSYLVANIA-NEW JERSEY-NEW YORK METROPOLITAN AREA. ESSENTIALLY ALL OF ITS PIPELINE

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

SALES ARE TO UTILITY CUSTOMERS IN EASTERN AND SOUTH-
EASTERN STATES.

TRANSCO COMPANIES, INC. IS A NEW HOLDING
COMPANY RESULTING FROM THE RECENT REARRANGMENT OF THE
CORPORATE STRUCTURE OF TRANSCONTINENTAL GAS PIPE LINE
CORPORATION AND ITS SUBSIDIARIES OF WHICH TRANSCO
ENERGY COMPANY IS ONE. KIDDER, PEABODY AND COMPANY
IS SERVING AS FINANCIAL ADVISOR WITH ARTHUR D. LITTLE
AS ECONOMIC AND TECHNICAL CONSULTANTS FOR THE PROJECT.
UNQUOTE

3. THE GAS REQUIRED FOR THIS PROJECT WILL BE PROVIDED
FROM THE GACH SARAN, BIBI HAKIM, PAZANAN, RAG-E-SEFID
AND BINAK FIELDS.

4. COMMENT: THIS APPEARS TO PUT AN END TO PHILLIPS/
JAPANESE EFFORTS TO CONCLUDE A PROJECT FOR LNG SINCE
THE SAME GAS SOURCES WERE INCLUDED IN THAT PRUJECT.

5. FYI: TERMS OF THE AGREEMENT BETWEEN TRANSCO
AND NIGC RESTRICT THE PUBLIC INFORMATION CONCERNING
THE PROJECT TO THAT PROVIDED ABOVE. TRANSCO EXECU-
TIVES VOLUNTEERED THAT SHIPPING OF THE NGL AND METHANOL
TO THE US IS THEIR RESPONSIBILITY BUT THEY HAVE NOT
RPT NOT YET SETTLED ON THE DETAILS OF HOW TO HANDLE
THAT PART OF THE PROJECT.
HELMS

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Disposition Approved on Date:
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Disposition Case Number: n/a
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